

**TOWN OF LAKE ARTHUR, LOUISIANA**  
**ANNUAL FINANCIAL REPORT**  
**JULY 31, 2009**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date

2/3/10

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TOWN OF LAKE ARTHUR, LOUISIANA

ANNUAL FINANCIAL REPORT  
Year Ended July 31, 2009

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**TOWN OF LAKE ARTHUR, LOUISIANA**

July 31, 2009

**MAYOR**

The Honorable E. R. Giles

**BOARD OF ALDERMEN**

Ms. Dorothy Charles  
Mr. Kirk Conner  
Mr. Ellsworth Duhon

Mr. David Hanks  
Mrs. Cynthia LaPoint

**LEGAL COUNSEL**

Mr. Bennett LaPoint

**TOWN CLERK**

Mrs. Cynthia Mallett

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# McELROY, QUIRK & BURCH

A Professional Corporation • Certified Public Accountants • Since 1925  
800 Kirby Street • P.O. Box 3070 • Lake Charles, LA 70602-3070  
337 433-1063 • Fax 337 436-6618 • Web page: www.mqb-cpa.com

04998.000 Audit 1/31/09 1100.001 Financial report

Robert M. Gani, CPA, MT  
Mollie C. Broussard, CPA  
Jason L. Guillory, CPA  
Greg P. Naquin, CPA, CFP™  
Billy D. Fisher, CPA  
Joe G. Peshoff, II, CPA, CVA

Michael N. McGee, CPA  
David M. DesOrmeaux, CPA  
Paula J. Thompson, CPA

# MQB

Ottay J. Woods, Jr., CPA, Inactive  
Robert F. Cargile, CPA, Inactive  
William A. Mancuso, CPA, Inactive  
Barbara Hutson Gonzales, CPA, Retired  
Judson J. McCann, Jr., CPA, Retired  
Martin L. Chehovsky, CPA, CFE  
Carl W. Comeaux, CPA, Retired  
Gus W. Schram, III, CPA, CVA, Retired

## REPORT OF INDEPENDENT AUDITORS

CFE - Certified Fraud Examiner  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

Honorable Mayor and Board of Aldermen  
Town of Lake Arthur  
Lake Arthur, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana as of and for the year ended July 31, 2009, which collectively comprise the Town's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana as of July 31, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and the major special revenue funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2010, on our consideration of the Town of Lake Arthur's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The Town of Lake Arthur, Louisiana has not prepared management's discussion and analysis that the accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Lake Arthur's basic financial statements. The introductory section and combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statement have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
January 26, 2010

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF NET ASSETS  
July 31, 2009

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 668,483	\$ 328,902	\$ 997,385
Investments	1,424,874	524,044	1,948,918
Receivables	154,927	40,249	195,176
Prepays	-	3,732	3,732
Due from other funds	220,567	(220,567)	-
Restricted cash	-	63,686	63,686
Capital assets:			
Land	896,527	9,604	906,131
Capital assets, net of accumulated depreciation	4,783,380	2,848,889	7,632,269
Total assets	<u>8,148,758</u>	<u>3,598,539</u>	<u>11,747,297</u>
<b>LIABILITIES</b>			
Accounts and other accrued payables	194,932	105,994	300,926
Customer meter deposits	-	63,686	63,686
Other payables	25,659	8,230	33,889
Long-term liabilities:			
Due within one year	98,000	185,000	283,000
Due after one year	665,000	660,000	1,325,000
Total liabilities	<u>983,591</u>	<u>1,022,910</u>	<u>2,006,501</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	4,916,907	2,013,493	6,930,400
Restricted for:			
Debt service	452,547	-	452,547
Streets and drainage	321,456	-	321,456
Unrestricted	1,474,257	562,136	2,036,393
Total net assets	<u>\$ 7,165,167</u>	<u>\$ 2,575,629</u>	<u>\$ 9,740,796</u>

See accompanying notes to financial statements

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF ACTIVITIES  
Year Ended July 31, 2009

<u>Activities</u>	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Fees, Fines and Charges for Services</u>	<u>Operating Grants and Contributions</u>
Governmental activities:			
General government	\$ 290,277	\$ 104,804	\$ -
Highways and streets	223,004	-	2,121,173
Public safety	485,321	44,990	26,013
Health and recreation	452,082	270,003	4,750
Economic development	1,556	-	-
Community center	69,089	-	-
Total governmental activities	1,521,329	419,797	2,151,936
Business-type activities:			
Water and sewer	498,201	368,851	-
Total activities	<u>\$ 2,019,530</u>	<u>\$ 788,648</u>	<u>\$ 2,152,936</u>

General revenues:

Taxes:

    Property taxes  
    Sales and use taxes  
    Franchise taxes  
Intergovernmental  
Interest and investment earnings  
Miscellaneous  
Transfers

        Total general revenues

Change in net assets

Net assets, beginning of year

Net assets, end of year

See accompanying notes to financial statements

(Expense) Revenues and Changes in Net Assets			
Capital Grants	Governmental Activities	Business- Type Activities	Total
\$ -	\$ (185,473)	\$ -	\$ (185,473)
8,820	1,906,989	-	1,906,989
-	(414,318)	-	(414,318)
-	(177,329)	-	(177,329)
-	(1,556)	-	(1,556)
-	(69,089)	-	(69,089)
8,820	1,059,224	-	1,059,224
25,518	-	(103,832)	(103,832)
<u>\$ 34,338</u>	<u>\$ 1,059,224</u>	<u>\$ (103,832)</u>	<u>\$ 955,392</u>

\$ 216,911	\$ -	\$ 216,911
629,765	-	629,765
149,091	-	149,091
35,151	-	35,151
39,735	8,828	48,563
320,208	23,743	343,951
(87,719)	87,719	-
<u>1,303,142</u>	<u>120,290</u>	<u>1,423,432</u>
2,362,366	16,458	2,378,824
<u>4,802,801</u>	<u>2,559,171</u>	<u>7,361,972</u>
<u>\$ 7,165,167</u>	<u>\$ 2,575,629</u>	<u>\$ 9,740,796</u>

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## **FUND FINANCIAL STATEMENTS**

TOWN OF LAKE ARTHUR, LOUISIANA

BALANCE SHEET - GOVERNMENTAL FUNDS  
July 31, 2009

	<u>General</u>	<u>Street &amp; Alley</u>
<b>ASSETS</b>		
Cash	\$ 258,779	\$ 31,042
Investments	1,155,509	92,612
Receivables	24,926	-
Due from other funds	<u>991,583</u>	<u>154,146</u>
Total assets	<u>\$ 2,430,797</u>	<u>\$ 277,800</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 41,654	\$ 8,817
Other payables and charges	5,316	-
Due to other funds	<u>909,570</u>	<u>39,522</u>
Total liabilities	<u>956,540</u>	<u>48,339</u>
<b>FUND BALANCES</b>		
Reserved for debt service	-	-
Unreserved, undesignated, reported in:		
General fund	1,474,257	-
Special revenue funds	-	229,461
Total fund balances	<u>1,474,257</u>	<u>229,461</u>
Total liabilities and fund balances	<u>\$ 2,430,797</u>	<u>\$ 277,800</u>

The accompanying notes are an integral part of the basic financial statements.

<u>Sales Tax</u>	<u>Drainage Maintenance</u>	<u>Combined Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 16,901	\$ 296,087	\$ 65,674	\$ 668,483
-	-	176,753	-	1,424,874
-	130,001	-	-	154,927
-	23,880	50	-	1,169,659
<u>\$ -</u>	<u>\$ 170,782</u>	<u>\$ 472,890</u>	<u>\$ 65,674</u>	<u>\$ 3,417,943</u>
 \$ -	 \$ 144,461	 \$ -	 \$ -	 \$ 194,932
-	-	20,343	-	25,659
-	-	-	-	949,092
-	144,461	20,343	-	1,169,683
-	-	452,547	-	452,547
-	-	-	-	1,474,257
-	26,321	-	65,674	321,456
-	26,321	452,547	65,674	2,248,260
<u>\$ -</u>	<u>\$ 170,782</u>	<u>\$ 472,890</u>	<u>\$ 65,674</u>	<u>\$ 3,417,943</u>

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TOWN OF LAKE ARTHUR, LOUISIANA

RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS  
July 31, 2009

Total fund balance for governmental funds at July 31, 2009	<u>\$ 2,248,260</u>
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:	
Land	896,527
Capital assets, net of \$1,219,982 accumulated depreciation	<u>4,783,380</u> <u>5,679,907</u>
Long-term liabilities at July 31, 2009:	
Bonds payable	<u>(763,000)</u>
Total net assets of governmental activities at July 31, 2009	<u>\$ 7,165,167</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
Year Ended July 31, 2009

	<u>General</u>	<u>Street &amp; Alley</u>
Revenue:		
Taxes	\$ 611,427	\$ 42,523
Licenses and permits	104,804	-
Intergovernmental	67,161	-
Charges for services	230,200	-
Fines	44,990	-
Grants	-	-
Interest	31,841	1,063
Other	330,035	28,455
Total revenues	<u>1,420,458</u>	<u>72,041</u>
Expenditures:		
General and administrative	287,260	-
Highways and streets	-	319,276
Public safety	465,309	-
Health and recreation	464,613	-
Economic development	1,556	-
Community center	38,629	-
Other	(17)	-
Debt service:		
Principal	51,000	-
Interest	5,940	-
Total expenditures	<u>1,314,290</u>	<u>319,276</u>
Excess (deficiency) of revenues over expenditures	<u>106,168</u>	<u>(247,235)</u>
Other financing sources (uses):		
Operating transfers in	5,321	258,128
Operating transfers out	(79,685)	-
Total other financing sources (uses)	<u>(74,364)</u>	<u>258,128</u>
Net changes in fund balance	31,804	10,893
Fund balance, beginning	<u>1,442,453</u>	<u>218,568</u>
Fund balance, ending	<u>\$ 1,474,257</u>	<u>\$ 229,461</u>

The accompanying notes are an integral part of the basic financial statements.

<u>Sales Tax</u>	<u>Drainage Maintenance</u>	<u>Combined Bond Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 251,907	\$ 42,523	\$ 47,388	\$ -	\$ 995,768
-	-	-	-	104,804
-	8,820	-	-	75,981
-	-	-	-	230,200
-	-	-	-	44,990
-	2,121,173	-	-	2,121,173
-	112	5,513	1,478	40,007
-	-	-	-	358,490
<u>251,907</u>	<u>2,172,628</u>	<u>52,901</u>	<u>1,478</u>	<u>3,971,413</u>
-	-	350	-	287,610
-	2,367,435	-	956	2,687,667
-	-	-	-	465,309
-	-	-	-	464,613
-	-	-	-	1,556
-	-	-	-	38,629
-	-	-	-	(17)
-	-	40,000	-	91,000
-	-	35,816	-	41,756
<u>-</u>	<u>2,367,435</u>	<u>76,166</u>	<u>956</u>	<u>4,078,123</u>
<u>251,907</u>	<u>(194,807)</u>	<u>(23,265)</u>	<u>522</u>	<u>(106,710)</u>
-	82,204	-	5,038	350,691
(251,907)	-	-	(106,817)	(438,409)
(251,907)	82,204	-	(101,779)	(87,718)
-	(112,603)	(23,265)	(101,257)	(194,428)
-	138,924	475,812	166,931	2,442,688
<u>\$ -</u>	<u>\$ 26,321</u>	<u>\$ 452,547</u>	<u>\$ 65,674</u>	<u>\$ 2,248,260</u>

TOWN OF LAKE ARTHUR, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO  
STATEMENT OF ACTIVITIES  
Year Ended July 31, 2009

Total net changes in fund balances at July 31, 2009  
per statement of revenues, expenditures and changes  
in fund balances \$ (194,428)

The change in net assets reported for governmental  
activities in the statement of activities is different  
because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those  
assets is allocated over their estimated useful lives and  
reported as depreciation expense.

Capital outlay which is considered expenditures on:

Statement of revenues, expenditures and changes in  
fund balances

2,682,258

Depreciation expense for the year ended July 31, 2009

(216,464)

2,465,794

Governmental funds report bonded debt repayments as  
expenditures. However, this expenditure does not appear  
in the statement of activities since the payment is  
applied against the bond payable on the statement of  
net assets

91,000

\$ 2,362,366

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF NET ASSETS - PROPRIETARY FUND  
July 31, 2009

ASSETS	Business-Type Activities Enterprise Fund
Current assets:	
Cash and cash equivalents	\$ 328,902
Investments	524,044
Receivables	40,249
Prepaid expenses	3,732
Due from other funds	419,245
Total current assets	<u>1,316,172</u>
Restricted cash and cash equivalents	63,686
Fixed assets, net of accumulated depreciation	<u>2,858,493</u>
Total assets	<u>\$ 4,238,351</u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 96,775
Accrued interest payable	9,219
Other payables	8,230
Due to other funds	639,812
Customer meter deposits	63,686
Total current liabilities	<u>817,722</u>
Noncurrent liabilities:	
Due within one year	185,000
Due after one year	660,000
Total noncurrent liabilities	<u>845,000</u>
Total liabilities	<u>1,662,722</u>
NET ASSETS	
Invested in capital assets, net of related debt	2,013,493
Unrestricted	<u>562,136</u>
Total net assets	<u>\$ 2,575,629</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -  
 PROPRIETARY FUND  
 Year Ended July 31, 2009

	Business-Type Activities Enterprise Fund
Operating revenues:	
Charges for services	\$ 368,851
Operating expenses:	
Personal services	91,295
Other services and charges	77,561
Materials and supplies	27,391
Heat, light and power	62,040
Depreciation	206,965
Total operating expenses	465,252
Operating (loss)	(96,401)
Nonoperating revenues (expenses):	
Interest income	8,828
Interest fiscal charges	(32,949)
Grants	25,518
Miscellaneous	23,743
Total nonoperating revenues (expenses)	25,140
(Loss) before operating transfers	(71,261)
Operating transfers in	87,719
Change in net assets	16,458
Net assets, beginning of year	2,559,171
Net assets, end of year	\$ 2,575,629

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

STATEMENT OF CASH FLOWS - PROPRIETARY FUND  
Year Ended July 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Cash received from customers	\$ 368,283
Cash payments to suppliers for goods and services	(80,991)
Cash payments to employees for services	(91,295)
Net cash provided by operating activities	<u>195,997</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Operating transfers in	87,719
Miscellaneous	23,743
Grants	25,518
Increase in customer deposits	4,465
Advances from (to) other funds	17,984
Net cash provided by noncapital financing activities	<u>159,429</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Principal payments on bonds	(180,000)
Interest paid on bonds	(29,629)
Net cash (used in) capital and related activities	<u>(209,629)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	8,828
Purchase of property and equipment	(139,027)
(Increase) in investments	(27,470)
Net cash (used in) investing activities	<u>(157,669)</u>

Net (decrease) in cash and cash equivalents (15,192)

Cash and cash equivalents:

Beginning of year 407,780

End of year \$ 392,588

Cash and cash equivalents

\$ 328,902

Restricted cash and cash equivalents

63,686

\$ 392,588

RECONCILIATION OF OPERATING (LOSS) TO NET CASH

PROVIDED BY OPERATING ACTIVITIES

Operating (loss) \$ (96,401)

Adjustments to reconcile operating (loss) to net cash provided by operating activities:

Depreciation 206,965

Changes in assets and liabilities:

(Increase) in receivables (568)

Increase in payables 86,001

Net cash provided by operating activities \$ 195,997

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA  
GENERAL FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended July 31, 2009

	Original	Budget Final	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 610,201	\$ 610,201	\$ 611,427	\$ 1,226
Licenses and permits	70,275	70,275	104,804	34,529
Intergovernmental	90,500	90,500	67,161	(23,339)
Charges for services	324,900	324,900	230,200	(94,700)
Fines	35,000	35,000	44,990	9,990
Interest	146,300	146,300	31,841	(114,459)
Other	4,000	4,000	330,035	326,035
Total revenues	<u>1,281,176</u>	<u>1,281,176</u>	<u>1,420,458</u>	<u>139,282</u>
<b>EXPENDITURES</b>				
Current:				
General and administrative	319,815	319,815	287,260	32,555
Public safety	517,625	517,625	465,309	52,316
Health and recreation	394,639	394,639	464,613	(69,974)
Economic development	6,000	6,000	1,556	4,444
Community center	44,200	44,200	38,629	5,571
Other	-	-	(17)	17
Debt service:				
Principal	51,000	51,000	51,000	-
Interest	2,882	2,882	5,940	(3,058)
Total expenditures	<u>1,336,161</u>	<u>1,336,161</u>	<u>1,314,290</u>	<u>21,871</u>
Excess (deficiency) of revenues over expenditures	(54,985)	(54,985)	106,168	161,153
<b>OTHER FINANCING SOURCES (USES):</b>				
Operating transfers in	4,799	4,799	5,321	522
Operating transfers out	(81,011)	(81,011)	(79,685)	1,326
Total other financing sources (uses)	<u>(76,212)</u>	<u>(76,212)</u>	<u>(74,364)</u>	<u>1,848</u>
Net changes in fund balance	30,825	30,825	31,804	163,001
Fund balance, beginning of year	<u>1,442,453</u>	<u>1,442,453</u>	<u>1,442,453</u>	<u>-</u>
Fund balance, end of year	<u>\$ 1,311,256</u>	<u>\$ 1,311,256</u>	<u>\$ 1,474,257</u>	<u>\$ 163,001</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA  
STREET AND ALLEY FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended July 31, 2009

	Original	Budget Final	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ 43,159	\$ 43,159	\$ 42,523	\$ (636)
Interest	5,000	5,000	1,063	(3,937)
Other	7,200	7,200	28,455	21,255
Total revenues	55,359	55,359	72,041	16,682
<b>EXPENDITURES</b>				
Current:				
Highways and streets	182,180	322,180	319,276	2,904
Excess (deficiency) of revenues over expenditures	(126,821)	(266,821)	(247,235)	19,586
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	154,641	154,641	258,128	103,487
Excess (deficiency) of revenue and other sources over expenditures	27,820	(112,180)	10,893	123,073
Fund balance, beginning of year	218,568	218,568	218,568	-
Fund balance, end of year	\$ 246,388	\$ 106,388	\$ 229,461	\$ 123,073

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA  
SALES TAX FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended July 31, 2009

	<u>Original</u>	<u>Budget Final</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Sales taxes	\$ 272,000	\$ 252,000	\$ 251,907	\$ (93)
EXPENDITURES				
Excess (deficiency) of revenues over expenditures	272,000	252,000	251,907	(93)
OTHER FINANCING SOURCES (USES)				
Operating transfers (out)	<u>(272,000)</u>	<u>(252,000)</u>	<u>(251,907)</u>	<u>93</u>
Excess (deficiency) of revenue and other uses over expenditures	-	-	-	-
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA  
DRAINAGE MAINTENANCE FUND

BUDGETARY COMPARISON SCHEDULE  
Year Ended July 31, 2009

		Budget		Variance
	Original	Final	Actual	with Final Budget
<b>REVENUES</b>				
Taxes	\$ 42,000	\$ 42,000	\$ 42,523	\$ 523
Intergovernmental	-	-	8,820	8,820
Interest	500	500	112	(388)
Grants	2,383,253	2,208,253	2,121,173	(87,080)
Miscellaneous	2,000	2,000	-	(2,000)
Total revenues	2,427,753	2,252,753	2,172,628	(80,125)
<b>EXPENDITURES</b>				
Current:				
Highways and streets	2,801,100	2,401,100	2,367,435	33,665
Excess (deficiency) of revenues over expenditures	(373,347)	(148,347)	(194,807)	(46,460)
<b>OTHER FINANCING SOURCES (USES)</b>				
Operating transfers in	91,747	91,747	82,204	(9,543)
Net change in fund balance	(281,600)	(56,600)	(112,603)	(56,003)
Fund balance, beginning of year	138,924	138,924	138,924	-
Fund balance, end of year	\$ (142,676)	\$ 82,324	\$ 26,321	\$ (56,003)

The accompanying notes are an integral part of the basic financial statements.

TOWN OF LAKE ARTHUR, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

July 31, 2009

1) Summary of Significant Accounting Policies

The Town of Lake Arthur, Louisiana was incorporated in 1904, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Lake Arthur, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The Governmental Accounting Standards Board (GASB) Statement Number 20 (effective for financial statements for periods beginning after December 15, 1993) provides guidance on accounting and financial reporting for proprietary fund types and allows proprietary fund types to choose one of two options in applying pronouncements issued by the Financial Accounting Standards Board (FASB) after November 30, 1989. The Town of Lake Arthur has elected to use the first option for reporting its activities. This approach applies all GASB pronouncements and FASB Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARBs) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Changes to FASB statements and interpretations, APB opinions and ARBs issued after November 30, 1989, would not apply unless adopted by GASB.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and Town Council of the Town of Lake Arthur, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statement No. 14 of the Governmental Accounting Standards Board. This statement defines the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

Based on the foregoing criteria, the Town of Lake Arthur has no other fiscal or significant managerial responsibility over any other governmental unit that is not included in the financial statements of the Town of Lake Arthur.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the primary government.

The Statement of Net Assets and the Statement of Activities report financial information for the Town as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

## FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

### GOVERNMENTAL FUNDS

**General Fund** - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

**Debt Service Funds** - Debt Service Funds are used to account for the accumulation or resources for, and the payment of, general long-term debt principal, interest, and related costs.

**Capital Project Funds** - Capital Project Funds are used to account for funds received and expenditures made in connection with large capital projects.

### PROPRIETARY FUNDS

**Enterprise Funds** - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary funds, also in the fund financial statements, are accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet. The operating statements for the proprietary fund present increases or decreases in net total assets.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

D. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to July 31, the Town Clerk submits to the Mayor and Council a proposed operating budget for the fiscal year commencing the following August 1. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is conducted to obtain taxpayer comment.
3. Prior to July 31, the budget is legally enacted through passage of an ordinance.
4. Any revisions that alter total expenditures of any fund must be approved by the Council. Expenditures cannot legally exceed appropriations on a fund level.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
6. The budget and actual comparison presented on pages 13 and 14 in the accompanying financial report includes the General Fund and Special Revenue Funds. The capital budget ordinances which encompass the Capital Projects Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds. There were no capital project funds at July 31, 2009.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP). Budgeted amounts are as originally adopted, or as amended by the Town Council.
8. All budgetary appropriations except for Capital Projects lapse at the end of each fiscal year.
9. Budgets are amended by resolution approved by the Town Council.

Encumbrance accounting is not used.

E. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and U.S. Government Agencies securities with maturities of three months or less.

Louisiana state statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. The state statutes also authorize the Town to invest in any other federally insured investment, or in mutual or trust fund institutions, which are registered with the Securities and Exchange Commission under the Security Act of 1933 and the Investment Act of 1940, and which have underlying investments consisting solely of and limited to securities of the United States government or its agencies. Investing is performed in accordance with investment policies complying with State Statutes and those adopted by the Town Council.

Investments are stated at cost.

F. Inventory

Purchase of various operating supplies are regarded as expenditures at the time purchased, and inventories of such supplies (if any) are not recorded as assets at the close of the fiscal year.

G. Bad Debts

Uncollectible amounts due for ad valorem taxes and customers' utility receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the receivable.

## H. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

## I. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Water and sewer lines	30 years
Machinery and equipment	3-10 years
Autos and trucks	3-5 years

### 2) Cash, Cash Equivalents and Investments

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement which is approved by the Town Council, the Town of Lake Arthur maintains demand and time deposits through local depository banks which are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district.

The Town's bank demand and time deposits at year end of \$3,019,524 (bank balances) were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the Town's name.

As of June 30, 2009, the Town had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1-5	6-,10	More Than 10
Certificates of deposit	\$ 1,462,328	\$ 1,462,328	\$ -	\$ -	\$ -

Interest rate risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices.

Concentration of credit risk. The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in certificates of deposit and insured money market accounts.

### 3) Ad Valorem Taxes

The Town levies taxes on real and business personal property located within its boundaries. Property taxes are levied by the Town on property values assessed by the Jeff Davis Parish Tax Assessor and approved by the State of Louisiana Tax Commission.

For the year ended July 31, 2009 taxes of 28.03 mills were levied on property with assessed valuations totaling \$7,738,835 and were dedicated as follows:

General corporate purposes	8.03 mills
Drainage maintenance	5.51 mills
Street and alley maintenance	5.51 mills
Debt service	6.14 mills
Recreation	2.84 mills

The Town property taxes are levied on November 1 and are due December 31, and are delinquent by January 1st. Delinquent property taxes attach as enforceable liens on property as of April 30.

#### 4) Changes in Capital Assets

Capital asset activity for the year ended July 31, 2009, was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 903,777	\$ -	\$ 10,000	\$ 893,777
Construction in progress	-	2,750	-	2,750
	<u>903,777</u>	<u>2,750</u>	<u>10,000</u>	<u>896,527</u>
Capital assets being depreciated:				
Infrastructure	1,026,196	2,384,769	-	3,410,965
Buildings	1,103,760	11,763	-	1,115,523
Furniture and equipment	446,363	88,349	39,300	495,412
Vehicles	776,834	204,627	-	981,461
Total capital assets being depreciated	<u>3,353,153</u>	<u>2,689,508</u>	<u>39,300</u>	<u>6,003,361</u>
Less accumulated depreciation for:				
Infrastructure	43,495	48,196	-	91,691
Buildings	206,118	36,119	-	242,237
Furniture and equipment	322,528	45,671	39,300	328,899
Vehicles	470,676	86,479	-	557,155
Total accumulated depreciation	<u>1,042,817</u>	<u>216,465</u>	<u>39,300</u>	<u>1,219,982</u>
Government activities capital assets, net	<u>\$ 3,214,113</u>	<u>\$ 2,475,793</u>	<u>\$ 10,000</u>	<u>\$ 5,679,906</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 9,607	\$ -	\$ -	\$ 9,604
Construction in progress	-	114,692	-	114,692
	<u>9,604</u>	<u>114,692</u>	<u>-</u>	<u>124,296</u>
Capital assets being depreciated:				
Sewer system	4,913,829	4,875	-	4,918,704
Water system	1,276,132	-	-	1,276,132
Vehicles	37,588	-	-	37,588
Furniture and equipment	101,176	19,460	-	120,636
Total capital assets being depreciated	<u>6,328,725</u>	<u>24,335</u>	<u>-</u>	<u>6,353,060</u>
Less accumulated depreciation for:				
Sewer system	2,684,087	173,391	-	2,857,478
Water system	594,995	29,856	-	624,851
Vehicles	32,137	2,725	-	34,862
Furniture and equipment	100,679	994	-	101,673
Total accumulated depreciation	<u>3,411,898</u>	<u>206,966</u>	<u>-</u>	<u>3,618,864</u>
Business-type activities capital assets, net	<u>\$ 2,926,411</u>	<u>\$ (67,939)</u>	<u>\$ -</u>	<u>\$ 2,858,492</u>

Depreciation expense was charged to governmental activities as follows:

General and administrative	\$ 6,159
Public safety	39,570
Highway and streets	124,975
Health and recreation	15,299
Community center	<u>30,460</u>
Total depreciation	<u>\$ 216,465</u>

5) Long-Term Debt

Long-term debt is comprised of the following at July 31, 2009:

General obligation bonds:

\$550,000 General Obligation Bonds, Series 1995, interest at 2.45%, administrative fee .5%, principal and interest payable through the year 2015	\$ 185,000
\$105,000 Certificate of indebtedness, Series 2006, 4.50% interest payable through the year 2009	-
\$250,000 Certificates of indebtedness, Series 2006, interest at 4.27%, principal and interest payable through the year 2011	108,000
\$500,000 General Obligation Bonds, Series 2008, Interest payable ranging from .1% to 5%, principal And interest payable through the year 2027	<u>470,000</u>
	<u>\$ 763,000</u>

Revenue bonds payable:

\$2,500,000 Sewer revenue bonds payable, interest at 2.45%, administrative fee .5%, principal and interest payable through the year 2014	\$ 750,000
\$400,000 Certificate of indebtedness, Series 2001, interest payable ranging from 4.6% to 5.25%, principal and interest payable through the year 2011	<u>95,000</u>
	<u>\$ 845,000</u>

Long-term liability activity for the year ended July 31, 2009, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
General obligation	\$ 695,000	\$ -	\$ 40,000	\$ 655,000	\$ 45,000
Certificate of indebtedness	<u>159,000</u>	<u>-</u>	<u>51,000</u>	<u>108,000</u>	<u>53,000</u>
Total governmental	<u>\$ 854,000</u>	<u>\$ -</u>	<u>\$ 91,000</u>	<u>\$ 763,000</u>	<u>\$ 98,000</u>
Business-type activities:					
Revenue bonds	\$ 885,000	\$ -	\$ 135,000	\$ 750,000	\$ 140,000
Certificate of indebtedness	<u>140,000</u>	<u>-</u>	<u>45,000</u>	<u>95,000</u>	<u>45,000</u>
Total business- type activities	<u>\$ 1,025,000</u>	<u>\$ -</u>	<u>\$ 180,000</u>	<u>\$ 845,000</u>	<u>\$ 185,000</u>

Debt service requirements at July 31, 2009 were as follows:

Governmental activities:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 98,000	\$ 58,951
2011	100,000	56,129
2012	50,000	53,088
2013	50,000	51,803
2014	50,000	50,318
2015-2019	150,000	113,633
2020-2024	155,000	48,225
2025-2029	<u>110,000</u>	<u>11,110</u>
	<u>\$ 763,000</u>	<u>\$ 443,257</u>

Business-type activities:

<u>Year Ended July 31,</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 185,000	\$ 27,090
2011	195,000	20,620
2012	150,000	13,717
2013	155,000	9,293
2014	160,000	4,720
	<u>\$ 845,000</u>	<u>\$ 75,440</u>

Interest charged to expense during the year ended July 31, 2009 totaled \$74,705, of which \$41,756 was for governmental activities and \$32,949 was for business-type activities.

6) Interfund Transactions

Individual fund interfund receivable and payable balances which are not expected to be repaid within a year at July 31, 2009 were:

	<u>Due From</u>	<u>Due To</u>
General fund	\$ 991,583	\$ 909,570
Street and alley maintenance	154,146	39,522
Drainage and maintenance	23,880	-
Combined bond	50	-
Utilities system fund	-	220,567
	<u>\$ 1,169,659</u>	<u>\$ 1,169,659</u>

Operating transfers for the year ended July 31, 2009 were:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund	\$ 5,321	\$ 79,685
Street and alley	258,128	-
Drainage and maintenance	82,204	-
Sales tax	-	251,907
Non-major governmental	5,038	106,818
Utility system	87,719	-
	<u>\$ 438,410</u>	<u>\$ 438,410</u>

7) Restricted Assets - Proprietary Fund Type

Restricted assets were applicable to the following at July 31:

	<u>2009</u>	<u>2008</u>
Customers deposits	\$ 63,686	\$ 59,221
Sewer	<u>234,900</u>	<u>211,642</u>
	<u>\$ 298,586</u>	<u>\$ 270,863</u>

8) Dedication of Proceeds and Flow of Funds - 2 ½% Sales and Use Tax

Proceeds of a 2 ½% sales and use tax levied by the Town of Lake Arthur, Louisiana (2009 collections \$629,765, 2008 collections \$684,938) are dedicated to the following purposes:

General Fund	60%
Streets	24.8%
Water	14%
Sidewalks	.8%
Drainage	.4%

9) Pension Plan

Municipal Employees' Retirement System:

Plan description:

The Town of Lake Arthur contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were

replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Town of Lake Arthur is a member of plan "B" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 2008.

**Funding policy:**

Plan members are required to contribute 5.00% of their annual covered salary and the Town of Lake Arthur is required to contribute at a statutorily determined rate. The current rate is 6.75% of annual covered payroll. The contribution requirements of plan members and the Town of Lake Arthur are established and may be amended by the Board of Trustees. The Town of Lake Arthur's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending July 31, 2009, 2008, and 2007 were \$16,710, \$16,780, and \$20,258, respectively, equal to the required contributions for each year.

**Municipal Police Employees' Retirement System:**

**Plan description:**

The Town of Lake Arthur contributes to the Municipal Police Employees' Retirement System, a cost-sharing multiple-employer plan administered by the Municipal and State Police Employee's Retirement System of Louisiana. The Municipal Police Employees' Retirement System was established as of July 1, 1973, by Act 189 of the 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The System is a state retirement system which was created to provide retirement benefits for full time municipal police officers in Louisiana, and state police officers hired after January 1, 1987. The System is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the board. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended July 31, 2008.

**Funding policy:**

Plan members are required to contribute 7.5% of their annual covered salary and the Town of Lake Arthur is required to contribute at a statutorily determined rate. The current rate is 9.5% of annual covered payroll. The contribution requirements of plan members and the Town of Lake Arthur are established and may be amended by the Board of Trustees. The Town of Lake

Arthur's contributions to the Municipal Police Employees' Retirement System for the years ending July 31, 2009, 2008, and 2007 were \$2,254, \$-0-, and \$-0-, respectively, equal to the required contributions for each year.

#### 10) Litigation

The Town is involved in several lawsuits. The Town Attorney estimates that the potential claims against the Town that are not covered by insurance resulting from such litigation would not materially affect the financial statements of the Town.

#### 11) Accumulated Unpaid Compensated Absences

The Town's policy on annual leave is that if the time is not taken during the year earned it will be forfeited; that is, no carryover of time or compensation in lieu of time off will be allowed.

The Town's policy on sick leave is 10 days per year. Unused sick leave can be accumulated up to 30 days to be used for prolonged illness, but the Town will not pay for unused sick leave.

#### 12) Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plan for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participant's pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U.S. Census as follows:

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	3,339	.337991
<b>Totals</b>	<b>9,879</b>	<b>1.000000</b>

The Commission consists of six commissioners as follows: two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of Jennings, Welsh, Lake Arthur and Elton. The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the Landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2008 (the latest available audited financial statements which is available in a separately issued financial report) was as follows:

	<u>Total</u>	<u>Lake Arthur (12.2684%)</u>
Total assets	\$ 5,642,276	\$ 692,217
Total liabilities	14,905	1,829
Total net assets	5,627,371	690,388
 Total revenues	 1,322,156	 162,207
Total expenditures	1,210,025	148,451
Increase in net assets	112,131	13,756

As of December 31, 2008, the Commission had no long-term debt outstanding.

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, "...the contractor shall be responsible for closure in accordance with the permit...". Additionally, "...the contractor's post closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law...". In the event the operator is for whatever reason unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

Additionally, because of the industry the Commission participates in, certain potential liabilities are always present. These include, but are not limited to, environmental cleanup costs and EPA penalties for violation of its regulations. The EPA is empowered by law (through the Superfund legislation) to seek recovery from anyone who ever owned or operated a particular contaminated site, or anyone who ever generated or transported hazardous materials to a site (these parties are commonly referred to as potentially responsible parties, or PRPs). Potentially, the liability can extend to subsequent owners or to the parent company of a PRP. While there are no asserted or unasserted potential costs or penalties at the date of this report that the Commission is aware of, the potential is present.

During the year ended December 31, 2008, the Commission voted to make a distribution to the four local government bodies that participate in the Landfill Commission and funded its construction and early operations. The distributions were made in the same proportions as the original investments by the governments. For the Town of Lake Arthur, the distribution amounted to \$129,355 which is recorded as "landfill revenues" in the General Fund in the fiscal year ended July 31, 2009.

13) Amounts Paid Members of Governing Board

Mr. E. R. Giles	\$ 7,200
Ms. Dorothy Charles	2,400
Mr. Kirk Conner	2,400
Mr. Ellsworth Duhon	2,400
Mr. David Hanks	2,400
Mrs. Cynthia T. LaPoint	2,400
	<u>\$ 19,200</u>

## **OTHER SUPPLEMENTAL INFORMATION**

TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
July 31, 2009

	Special Revenue	Debt Service Funds		Total
	Sidewalk Maintenance	Sewerage District No. 1	Public Improvement Bond	Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 65,674	\$ -	\$ -	\$ 65,674
<b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>	\$ -	\$ -	\$ -	\$ -
<b>FUND BALANCE</b>				
Unreserved - undesignated	65,674	-	-	65,674
Total liabilities and fund balance	\$ 65,674	\$ -	\$ -	\$ 65,674

TOWN OF LAKE ARTHUR, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
Year Ended July 31, 2009

	Special Revenue	Debt Service Funds		Total
	Sidewalk Maintenance	Sewerage District No. 1	Public Improvement Bond	Governmental Funds
Revenues:				
Interest	\$ -	\$ -	\$ 1,478	\$ 1,478
Expenditures:				
Highways and streets	956	-	-	956
Excess (deficiency) of revenues over expenditures	(956)	-	1,478	522
Other financing sources (uses):				
Operating transfer in	5,038	-	-	5,038
Operating transfers out	-	(4,871)	(101,946)	(106,817)
Total other financing sources (uses)	5,038	(4,871)	(101,946)	(101,779)
Net changes in fund balance	4,082	(4,871)	(100,468)	(101,257)
Fund balance, beginning	61,592	4,871	100,468	166,931
Fund balance, ending	\$ 65,674	\$ -	\$ -	\$ 65,674

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**REPORT OF INDEPENDENT AUDITORS ON  
INTERNAL CONTROL AND COMPLIANCE**

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# McELROY, QUIRK & BURCH

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Otray J. Woods, Jr., CPA, Inactive  
Robert F. Cargile, CPA, Inactive  
William A. Mancuso, CPA, Inactive  
Barbara Hunson Gonzales, CPA, Retired  
Judson J. McCann, Jr., CPA, Retired  
Martin L. Chehovsky, CPA, CFE  
Carl W. Comeaux, CPA, Retired  
Gus W. Schram, III, CPA, CVA, Retired

CFE - Certified Fraud Examiner  
MT - Masters of Taxation  
CVA - Certified Valuation Analyst  
CFP - Certified Financial Planner

## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Board of Aldermen  
Town of Lake Arthur  
Lake Arthur, Louisiana

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Lake Arthur, Louisiana, as of and for the year ended July 31, 2009, which collectively comprise the Town of Lake Arthur, Louisiana's basic financial statements and have issued our report thereon dated January 26, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Lake Arthur, Louisiana's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Lake Arthur, Louisiana's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Lake Arthur, Louisiana's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Town of Lake Arthur, Louisiana's ability to initiate, authorize, record process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Town of Lake Arthur, Louisiana's financial statements that is more than inconsequential will not be prevented or detected by the Town of Lake Arthur, Louisiana's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. Significant deficiencies are described in the accompanying schedule of questioned costs as items 09-1 and 09-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Town of Lake Arthur, Louisiana's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider item 09-2 to be a material weakness.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Lake Arthur, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under Government Auditing Standards.

The Town of Lake Arthur, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Lake Arthur, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended for the information of the Board, management, and other state and federal audit agencies and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms. Elroy Quirk & Burch*

Lake Charles, Louisiana

January 26, 2010

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TOWN OF LAKE ARTHUR, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended July 31, 2009

09-1 Segregation of Duties

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

09-2 Financial Reporting

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. SAS No. 112 emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatement in financial statements could go undetected.

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

TOWN OF LAKE ARTHUR, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
Year Ended July 31, 2009

**08-1 Segregation of Duties**

Condition: This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: This condition still exists; however, the Town has implemented supervision and review procedures as recommended.

**08-2 Financial Reporting**

Condition: This finding was a material weakness relating to the entity's inability to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Recommendation: Management should mitigate this weakness by having a heightened awareness of all transactions being reported.

Current status: This condition still exists; however, the Town has implemented recommended procedures.

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